

HOUSE BILL No. 1380

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.5-1.1-26; IC 6-3.5-6-32.

Synopsis: Distribution of Lake County income tax. Provides that the Lake County council may not adopt an ordinance to impose the local option income tax for property tax credits unless the ordinance requires that revenue from the tax be used as follows: (1) The revenue collected from taxpayers within a particular municipality in Lake County shall be used only to provide a local property tax credit against property taxes imposed by that municipality. (2) The revenue collected from taxpayers within the unincorporated area of Lake County shall be used only to provide a local property tax credit that is available only to those taxpayers within the unincorporated area and that is applied against property taxes imposed by the county.

Effective: January 1, 2008 (retroactive).

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January 17, 2008, read first time and referred to Committee on Ways and Means.

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Introduced

Second Regular Session 115th General Assembly (2008)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2007 Regular Session of the General Assembly.

HOUSE BILL No. 1380

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-3.5-1.1-26, AS ADDED BY P.L.224-2007,
2 SECTION 68, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2008 (RETROACTIVE)]: Sec. 26. (a) A county council
4 may impose a tax rate under this section to provide property tax relief
5 to political subdivisions in the county. A county council is not required
6 to impose any other tax before imposing a tax rate under this section.
7 (b) A tax rate under this section may be imposed in increments of
8 five hundredths of one percent (0.05%) determined by the county
9 council. A tax rate under this section may not exceed one percent (1%).
10 (c) A tax rate under this section is in addition to any other tax rates
11 imposed under this chapter and does not affect the purposes for which
12 other tax revenue under this chapter may be used.
13 (d) If a county council adopts an ordinance to impose or increase a
14 tax rate under this section, the county auditor shall send a certified
15 copy of the ordinance to the department and the department of local
16 government finance by certified mail.
17 (e) A tax rate under this section may be imposed, increased,

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decreased, or rescinded by a county council at the same time and in the same manner that the county council may impose or increase a tax rate under section 24 of this chapter.

(f) Tax revenue attributable to a tax rate under this section may be used for any combination of the following purposes, as specified by ordinance of the county council:

(1) The tax revenue may be used to provide local property tax replacement credits at a uniform rate to all taxpayers in the county. Any tax revenue that is attributable to the tax rate under this section and that is used to provide local property tax replacement credits under this subdivision shall be distributed to civil taxing units and school corporations in the county in the same manner that certified distributions are allocated as property tax replacement credits under section 12 of this chapter. The department of local government finance shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive under this subdivision. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits the civil taxing unit or school corporation is entitled to receive under this subdivision during that calendar year.

(2) The tax revenue may be used to uniformly increase the homestead credit percentage in the county. The additional homestead credits shall be treated for all purposes as property tax levies. The additional homestead credits do not reduce the basis for determining the state homestead credit under IC 6-1.1-20.9. The additional homestead credits shall be applied to the net property taxes due on the homestead after the application of all other assessed value deductions or property tax deductions and credits that apply to the amount owed under IC 6-1.1. The department of local government finance shall determine the additional homestead credit percentage for a particular year based on the amount of tax revenue that will be used under this subdivision to provide additional homestead credits in that year.

(3) The tax revenue may be used to provide local property tax replacement credits at a uniform rate for all qualified residential property (as defined in IC 6-1.1-20.6-4) in the county. Any tax revenue that is attributable to the tax rate under this section and that is used to provide local property tax replacement credits under this subdivision shall be distributed to civil taxing units and school corporations in the county in the same manner that

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certified distributions are allocated as property tax replacement credits under section 12 of this chapter. The department of local government finance shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive under this subdivision. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits the civil taxing unit or school corporation is entitled to receive under this subdivision during that calendar year.

(4) This subdivision applies only to Lake County. Notwithstanding subdivisions (1) through (3), any tax revenue from a tax rate imposed under this section in Lake County may be distributed only as provided in this subdivision. The Lake County council may not adopt an ordinance to impose a tax rate under this section unless the ordinance requires the tax revenue from the tax rate under this section to be used as follows to provide local property tax replacement credits in Lake County:

(A) The tax revenue under this section that is collected from taxpayers within a particular municipality in Lake County (as determined by the department) shall be used only to provide a local property tax credit against property taxes imposed by that municipality. The local property tax credit within a particular municipality shall be applied at a uniform rate for all taxpayers within that municipality.

(B) The tax revenue under this section that is collected from taxpayers within the unincorporated area of Lake County (as determined by the department) shall be used only to provide a local property tax credit against property taxes imposed by the county. The local property tax credit for the unincorporated area of Lake County shall be available only to those taxpayers within the unincorporated area of the county and shall be applied at a uniform rate for all taxpayers within the unincorporated area of the county.

(C) The department of local government finance, with the assistance of the budget agency, shall certify to the county auditor the amount of property tax replacement credits that the county and each municipality in the county are entitled to receive under this subdivision during the calendar year. The county auditor shall then certify these

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1 **credit amounts to the county and each municipality in the**
 2 **county. The county auditor shall also certify these credit**
 3 **amounts to the county treasurer.**

4 **(D) Except as provided in subsection (g), the local property**
 5 **tax replacement credits shall be treated for all purposes as**
 6 **property tax levies.**

7 (g) The tax rate under this section and the tax revenue attributable
 8 to the tax rate under this section shall not be considered for purposes
 9 of computing:

10 (1) the maximum income tax rate that may be imposed in a county
 11 under section 2 of this chapter or any other provision of this
 12 chapter;

13 (2) the maximum permissible property tax levy under STEP
 14 EIGHT of IC 6-1.1-18.5-3(b); or

15 (3) the total county tax levy under IC 6-1.1-21-2(g)(3),
 16 IC 6-1.1-21-2(g)(4), or IC 6-1.1-21-2(g)(5).

17 (h) Tax revenue under this section shall be treated as a part of the
 18 receiving civil taxing unit's or school corporation's property tax levy for
 19 that year for purposes of fixing the budget of the civil taxing unit or
 20 school corporation and for determining the distribution of taxes that are
 21 distributed on the basis of property tax levies.

22 (i) The department of local government finance and the department
 23 of state revenue may take any actions necessary to carry out the
 24 purposes of this section.

25 SECTION 2. IC 6-3.5-6-32, AS ADDED BY P.L.224-2007,
 26 SECTION 85, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
 27 JANUARY 1, 2008 (RETROACTIVE)]: Sec. 32. (a) A county income
 28 tax council may impose a tax rate under this section to provide property
 29 tax relief to political subdivisions in the county. A county income tax
 30 council is not required to impose any other tax before imposing a tax
 31 rate under this section.

32 (b) A tax rate under this section may be imposed in increments of
 33 five hundredths of one percent (0.05%) determined by the county
 34 income tax council. A tax rate under this section may not exceed one
 35 percent (1%).

36 (c) A tax rate under this section is in addition to any other tax rates
 37 imposed under this chapter and does not affect the purposes for which
 38 other tax revenue under this chapter may be used.

39 (d) If a county income tax council adopts an ordinance to impose or
 40 increase a tax rate under this section, the county auditor shall send a
 41 certified copy of the ordinance to the department and the department
 42 of local government finance by certified mail.

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(e) A tax rate under this section may be imposed, increased, decreased, or rescinded at the same time and in the same manner that the county income tax council may impose or increase a tax rate under section 30 of this chapter.

(f) Tax revenue attributable to a tax rate under this section may be used for any combination of the following purposes, as specified by ordinance of the county income tax council:

(1) The tax revenue may be used to provide local property tax replacement credits at a uniform rate to civil taxing units and school corporations in the county. The amount of property tax replacement credits that each civil taxing unit and school corporation in a county is entitled to receive under this subdivision during a calendar year equals the product of:

(A) the tax revenue attributable to a tax rate under this section that is dedicated to property tax replacement credits under this subdivision; multiplied by

(B) the following fraction:

(i) The numerator of the fraction equals the total property taxes being collected in the county by the civil taxing unit or school corporation during the calendar year of the distribution.

(ii) The denominator of the fraction equals the sum of the total property taxes being collected in the county by all civil taxing units and school corporations of the county during the calendar year of the distribution.

The department of local government finance shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive under this subdivision. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits the civil taxing unit or school corporation is entitled to receive under this subdivision during that calendar year. The county auditor shall also certify these distributions to the county treasurer. Except as provided in subsection (g), the local property tax replacement credits shall be treated for all purposes as property tax levies.

(2) The tax revenue may be used to uniformly increase the homestead credit percentage in the county. The additional homestead credits shall be treated for all purposes as property tax levies. The additional homestead credits do not reduce the basis for determining the state homestead credit under IC 6-1.1-20.9.

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The additional homestead credits shall be applied to the net property taxes due on the homestead after the application of all other assessed value deductions or property tax deductions and credits that apply to the amount owed under IC 6-1.1. The department of local government finance shall determine the additional homestead credit percentage for a particular year based on the amount of tax revenue that will be used under this subdivision to provide additional homestead credits in that year. (3) The tax revenue may be used to provide local property tax replacement credits at a uniform rate for all qualified residential property (as defined in IC 6-1.1-20.6-4) in the county. The amount of property tax replacement credits that each civil taxing unit and school corporation in a county is entitled to receive under this subdivision during a calendar year equals the product of:

(A) the tax revenue attributable to a tax rate under this section that is dedicated to property tax replacement credits under this subdivision; multiplied by

(B) the following fraction:

(i) The numerator of the fraction equals the total property taxes being collected in the county by the civil taxing unit or school corporation during the calendar year of the distribution.

(ii) The denominator of the fraction equals the sum of the total property taxes being collected in the county by all civil taxing units and school corporations of the county during the calendar year of the distribution.

The department of local government finance shall provide each county auditor with the amount of property tax replacement credits that each civil taxing unit and school corporation in the auditor's county is entitled to receive under this subdivision. The county auditor shall then certify to each civil taxing unit and school corporation the amount of property tax replacement credits the civil taxing unit or school corporation is entitled to receive under this subdivision during that calendar year. The county auditor shall also certify these distributions to the county treasurer. Except as provided in subsection (g), the local property tax replacement credits shall be treated for all purposes as property tax levies.

(4) This subdivision applies only to Lake County. Notwithstanding subdivisions (1) through (3), any tax revenue from a tax rate imposed under this section in Lake County may be distributed only as provided in this subdivision. The

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Lake County council may not adopt an ordinance to impose a tax rate under this section unless the ordinance requires the tax revenue from the tax rate under this section to be used as follows to provide local property tax replacement credits in Lake County:

(A) The tax revenue under this section that is collected from taxpayers within a particular municipality in Lake County (as determined by the department) shall be used only to provide a local property tax credit against property taxes imposed by that municipality. The local property tax credit within a particular municipality shall be applied at a uniform rate for all taxpayers within that municipality.

(B) The tax revenue under this section that is collected from taxpayers within the unincorporated area of Lake County (as determined by the department) shall be used only to provide a local property tax credit against property taxes imposed by the county. The local property tax credit for the unincorporated area of Lake County shall be available only to those taxpayers within the unincorporated area of the county and shall be applied at a uniform rate for all taxpayers within the unincorporated area of the county.

(C) The department of local government finance, with the assistance of the budget agency, shall certify to the county auditor the amount of property tax replacement credits that the county and each municipality in the county are entitled to receive under this subdivision during the calendar year. The county auditor shall then certify these credit amounts to the county and each municipality in the county. The county auditor shall also certify these credit amounts to the county treasurer.

(D) Except as provided in subsection (g), the local property tax replacement credits shall be treated for all purposes as property tax levies.

(g) The tax rate under this section shall not be considered for purposes of computing:

(1) the maximum income tax rate that may be imposed in a county under section 8 or 9 of this chapter or any other provision of this chapter; or

(2) the maximum permissible property tax levy under STEP EIGHT of IC 6-1.1-18.5-3(b).

(h) Tax revenue under this section shall be treated as a part of the

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1 receiving civil taxing unit's or school corporation's property tax levy for
2 that year for purposes of fixing the budget of the civil taxing unit or
3 school corporation and for determining the distribution of taxes that are
4 distributed on the basis of property tax levies.

5 (i) The department of local government finance and the department
6 of state revenue may take any actions necessary to carry out the
7 purposes of this section.

8 (j) Notwithstanding any other provision, in Lake County the county
9 council (and not the county income tax council) is the entity authorized
10 to take actions concerning the tax rate under this section.

11 **SECTION 3. An emergency is declared for this act.**

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